APPENDIX 3.

[See Chap. 5, Art. 80.]

Rules regarding the grant of Compensation for Dearness of Provisions.

Prior to the 13th May 1919, the rules regulating the grant of Compensation for Dearness of Provisions were contained in Article 72 of the Civil Account Code, 7th edition, reproduced below :—

72. Local Governments may, by special orders, grant compensation to the establishments subordinate to them within the following limits :—

(I) (*a*) When the price of the common staple food-grain of the district is dearer than ₹1 for twelve seers, but is not dearer than ₹1 for ten seers, all whole-time servants of Government on civil establishments whose pay does not exceed ₹30 per mensem, may receive an extra allowance at rates not exceeding those prescribed below :—

Pay exceeding ₹16 but not exceeding ₹30 per mensem	₹2
Pay not exceeding ₹16 per mensem	₹1

When the pay is less than ₹5 per mensem, the extra allowance may be increased, at the discretion of the sanctioning authority, so as to bring up the aggregate pay and allowance to an amount not exceeding ₹6 per mensem.

(*b*) When such grain is dearer than ₹1 for 10 seers, the above allowances may be raised to amounts not exceeding ₹3 and ₹1-8, respectively, and the aggregate pay and allowance of servants on less than ₹5 per mensem may be brought up to ₹6-8 per mensem.

Explanation 1.—In provinces in which the districts are very large, the taluk or other sub-division may be taken as area for the application of the test prices.

Explanation 2.—Local Governments may, at their discretion, take the average of the prices of the principal food-grains instead of the price of the common staple food-grain of the districts as the test.

**Explanation 3.*—The limits 10 and 12 seers per rupee are maxima, and any local Government may, at its discretion, withhold compensation until grain is dearer. Similarly, the pay limit of ₹30 a month should be regarded as the maximum, local Governments having full power on each occasion of distress prevailing to adopt a lower limit. But an officer whose pay as defined in explanation 4 exceeds ₹30 may be granted grain compensation allowance subject to the condition that the total of his pay and grain compensation allowance shall not exceed the total amount admissible to an officer whose pay is ₹30.

Explanation 4.—Local and hill allowances should not be taken into account in determining pay for the purpose of these rules. All other forms of remuneration besides pay proper, *e.g.*, acting, charge and overtime allowances, fees and pensions should be taken into account.

Explanation 5.—The allowance is to be determined with reference to the total emoluments drawn in a month and not with reference to the rate at which pay for the month or for any part of it, is drawn.

(II) The allowance is admissible to men who are officiating or in temporary employment and also to piece-workers in Government Presses, provided that they are drawing rates of salary which have been fixed with reference to normal circumstances, but the allowance is not admissible to men absent on leave or under suspension nor to part-time servants who are only engaged by Government for specific duties which do not prevent their earning money in other ways.

(III) Government servants drawing consolidated rates of pay part of which has been expressly granted for the upkeep of a horse or camel, are eligible for grain compensation if their net pay, excluding the above-mentioned allowance, does not exceed R30 per mensem. Mounted men who are eligible on their net pay to draw the grain compensation allowance for themselves may also get an extra allowance not exceeding R1 a month at the discretion of the local Government for the extra cost of feeding their horse or camel.

(IV) The orders in each case should be strictly temporary, and unless specially renewed should, in no case, be held to continue in force beyond the end of the financial year in which they were issued.

*(V) In Calcutta whenever grain compensation is sanctioned by the Government of Bengal for the Provincial Establishments, the publication of such sanction in the Calcutta Gazette will be sufficient authority to entitle Imperial Establishments in Calcutta to draw the allowance. Heads of Imperial Departments may follow the lead of the local Governments in respect of the establishment subordinate to them serving elsewhere than in Calcutta.

NOTE.—The common staple food of the district, taluk, or other sub-division means the cheapest grain of any kind commonly used by the people of the tract.

*2. *On the 13th May 1919, the Government of India issued revised instructions for the guidance of local Governments, in Finance Department letter No. 819-E. B., reproduced below :—*

1. * * * * * * * *

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2. The object of the grain compensation rules, which appear in their present form in Article 72 of the Civil Account Code,† was to provide a temporary addition to the emoluments of low-paid servants on account of a temporary and abnormal rise in prices. But of late years, the trend of prices has been such that what may be called the " scarcity limits " laid down in Article 72 have in many parts of the country become normal price conditions and in some provinces grain compensation has become to all intents and purposes a normal addition to pay. Where these conditions prevail it seems reasonably certain that prices have become permanently established on a higher level, and the fact cannot indefinitely be ignored. The salaries of low-paid employés must sooner or later be adjusted to the new level of prices and the scarcity limits, at which grain compensation begins to be payable, must be fixed in a reasonable relation to the normal prices. In the Madras Presidency this policy has already been adopted. Four or five years ago the local Government came to the conclusion that a general revision of the salaries of low-paid employés could no longer be deferred and prepared schemes for increasing the pay of such establishments in all departments. As soon as the revision was effected in any department the employés in it ceased to be eligible for grain compensation allowance under the existing rules, and could be granted such an allowance only under any new system that might be devised in the future. The Government of India are of opinion that similar action should be taken in other provinces also, when a suitable opportunity offers. It will be understood that in dealing with such revisions of establishments the local Governments will only act within the existing limits of their financial powers in this respect.

3. The new system which the Government of India contemplate is based on the assumption that the salaries of low-paid establishments will ultimately be brought into accord with what is now the normal level of prices, and that in each province the local Government is the authority which can best determine what for the future is to be deemed to be the normal price. On that assumption the Government of India are of opinion—

(1) That grain compensation allowances should not be granted to officers on pay exceeding R30 a month, and

(2) That the maximum allowance should not exceed R3 a month.

Subject to these two conditions local Governments will have full discretion to determine the price limits at which the allowance will become payable and the rates at which it shall be paid. The Government of India consider that no allowances should be given until there has been a material rise in prices above the normal, and that for this purpose an increase of not less than 25 per cent. might be treated as a material rise. But they mention this percentage only as illustrative and not as essential.

† Seventh Edition.

No. 50.

Appendix 3—

Insert the following Note at the head of this Appendix :

"NOTE.—The local Government of a Governor's province exercises full powers in regard to the grant of the allowance dealt with in this Appendix so far as provincial expenditure is concerned."

(C. A. C., I., 8th Edition, Reforms List, No. 50—1-4-21.)

4. The Government of India recognize that it will not be possible in all provinces, especially in present war conditions, at once to adjust the pay of existing low-paid establishments to a higher range of prices. Moreover the action taken in different provinces must vary materially with reference not merely to local scales of prices but to the condition of provincial finances. An intermediate period is, therefore, inevitable before the new system can be completely introduced. Where a local Government considers that the salaries of its low-paid servants are no longer adequate in view of existing price conditions, but is debarred by financial or other conditions from increasing salaries at once, it can continue to act under existing Article 72, Civil Account Code, but with full option to apply the discretion granted to it by explanation 3 to Rule (1). *A fortiori* it can act thus when it does not consider a revision of salaries necessary.

5. With effect from the date of this letter it will also be open to a local Government to declare that the members of any establishment, the pay of which has been recently revised, shall be eligible for grain compensation allowance only under such arrangements as the local Government may make in accordance with what is said in paragraph 4 above. It is suggested that local Governments might review the establishments whose pay has been increased in the last few years and determine whether the new scales of pay can be said to be adequate to what would be normal prices at the present time. If, however, local Governments find it preferable to defer this examination until the disturbing effect of war conditions has been eliminated, the Government of India will raise no objection. For the future when the pay of low-paid establishments is increased, it should be clearly stated what are the existing prices with reference to which the readjustment is made, and these establishments should cease to be eligible for grain compensation allowance under the existing rules.

6. I am to add that it will remain an essential condition, as laid down in paragraph 4 of Finance Department letter No. 1387-E. B., dated the 7th October 1914, that any additional cost involved by the alteration of the existing rules shall fall on the local Governments so far as their own establishments are concerned. As regards Imperial establishments, the Government of India will maintain, as a general rule, the procedure indicated in Rule V of Article 72 and follow the lead of the local Governments in respect of like establishments subordinate to the latter.